



Local Agency Formation Commission
LAFCO of Napa County

1700 Second Street, Suite 268
Napa, CA 94559
(707) 259-8645
FAX (707) 251-1053
<http://napa.lafco.ca.gov>

February 5, 2007
Agenda Item No. 7a

January 30, 2007

TO: Local Agency Formation Commission

FROM: Keene Simonds, Executive Officer

SUBJECT: Draft Proposed Budget for Fiscal Year 2007-2008 (Action)

The Commission will receive a draft proposed budget from the 2007-2008 Budget Committee. The draft proposed budget projects a total increase in operating expenses of 1.9% from the current fiscal year and is being presented to the Commission for review and direction.

California Government Code §56381 directs the Commission to annually prepare and adopt a proposed budget by May 1st and a final budget by June 15th. In preparing for its own provisions, it is the policy of the Commission to establish a budget committee that includes two appointed Commissioners and the Executive Officer. The budget committee is responsible for preparing a draft proposed budget for review by the Commission and those agencies that are statutorily responsible for funding LAFCO no less than 30 days prior to its adoption. It has been the practice of the Commission to adopt proposed and final budgets at its April and June meetings, respectively.

2007-2008 Draft Proposed Budget

At its December 4, 2006 meeting, the Commission appointed Commissioners Kelly and Wagenknecht to serve on the 2007-2008 Budget Committee. The Committee met on January 10, 2007 to review LAFCO's operating expenses for the upcoming fiscal year. (It is the practice of LAFCO to budget only for expenses.) A spending baseline was constructed to estimate how much it would cost to continue LAFCO's current level of services and activities at next fiscal year's price for labor and supplies. In reviewing these estimates, the Committee considered actual expenses from past fiscal years and whether increases or decreases in spending was appropriate to reflect anticipated changes in demand or need.

Drawing from its review process, the Committee has prepared a draft proposed budget that projects a 1.9% increase in total operating costs from FY06-07. The largest increase to the budget involves an approximate 29% contractual rise in group insurance, which represents LAFCO's contribution to employee healthcare costs. In terms of discretionary items, the Committee recommends increases to the Commission's per diem and training accounts. These changes are recommended in order to raise the Commission's per diem

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Keene Simonds
Executive Officer

from \$50 to \$100 and to provide additional training opportunities for new Commissioners and staff. Savings in salaries, retirement, and information technology services have helped to absorb and limit the overall increase in operating costs. An expanded summary of all projected expenses is attached.

In addition to offering a draft proposed budget, the Committee recommends that LAFCO review its adopted fee schedule to consider whether changes are appropriate with respect to improving cost-recovery. The Committee also recommends that LAFCO consider adopting a policy to manage its reserve fund.

Recommendation

It is recommended for the Commission to take the following actions:

- 1) Accept with any desired changes the draft proposed budget from the 2007-2008 Budget Committee; and
- 2) Direct the Executive Officer to circulate the draft proposed budget for review and comment by the six agencies that fund LAFCO and schedule a public hearing for the Commission to consider its adoption on April 2, 2007; and
- 3) Direct the Executive Officer to review LAFCO's adopted fee schedule and to prepare a report with recommendations for consideration by the Commission; and
- 4) Direct the Executive Officer to review reserve policy options and to prepare a report with recommendations for consideration by the Commission.

Respectfully submitted,

Keene Simonds
Executive Officer

Attachments:

1. 2007-2008 Draft Proposed Budget (Line Item Format)
2. Summary of Expenses for 2007-2008 Draft Proposed Budget
3. Current Adopted Fee Schedule